MONACO ALPHA

AN EQUITY FOCUSED FUND WITH A MACRO OVERLAY

Exploiting asymmetries

MONACO ALPHA

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IMPORTANT INFORMATION

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EXECUTIVE SUMMARY

Strategy and Investment Objectives

- An Equity Focused Fund with a Macro Overlay.
- An investment approach focused on fundamental analysis that generates asymmetric returns in the medium term.
- The aim is to generate uncorrelated market returns in all economic conditions as the fund exploits relative value over catalysts.

Portfolio Manager

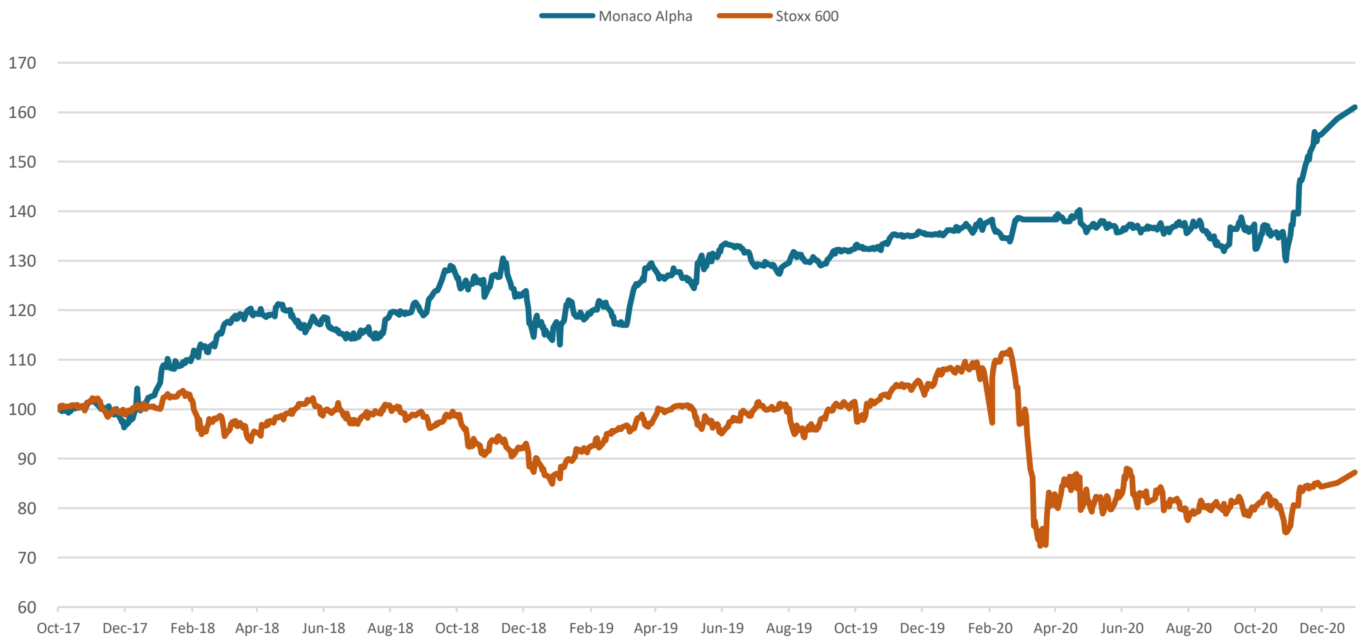
- Didier Bodart has 28 years of investment banking experience in the United States and Europe as an analyst (4 years), portfolio manager (8 years) and equity sales (17 years).
- Dan Luger MBE has 10 years of sales and trading experience with Tavira Securities. He is a former professional sportsman and World Champion, winning the Rugby World Cup in 2003.
- Nick Phillips has 15 years of experience in the financial sector; his career began in derivatives trading at Credit Suisse (14 years). after which he moved on to run Phi Capital which specializes in macro protection hedges using European and US derivatives.
- Keith Temperton has over 30 years of experience in global markets in various roles from portfolio management to broking.

Risk Management

- Exposure naturally reduces as volatility rises with our proprietary mode.
- Portfolio exposure -35% to +85%.Maximum leverage of 150%.
- 1% stop loss of the overall portfolio on each position.

THE PROVEN TRACK RECORD

- Since its inception in October 1st 2017 through 2020, Monaco Alpha portfolio generated +61% vs SXXP +2.8%, 14.86% vs SXXP -13.24% in 2018, 12.42% vs SXXP 23.16% in 2019 and 19.8% vs SXXP -4.04% in 2020
- Maximum monthly drawdown -8.44%. Alpha over SXXP since inception.
- The Portfolio volatility, since inception, stands at 11.75% with the Sharp ratio at 1.14.



MONACO ALPHA

THE OPPORTUNITY

- Monaco Alpha's proprietary fundamental model allows us to identify directional and relative value opportunities.
- We have a unique method of finding asymmetric returns, by focusing on equity valuations and catalysts, taking advantage of inefficiencies in the market which is shown through our proven track record.
- Below is a month by month breakdown of the performance since October 2017.

Performance	
2017	4.70%
2018	14.86%
2019	12.40%
2020	19.80%

	Oct-17	Nov-17	Dec-17	2017
Monaco Alpha*	0.62%	-2.15%	5.73%	**4.10%**
E Stoxx 600 perf	1.82%	-2.16%	0.64%	**0.26%**
Spread	-1.20%	0.01%	5.09%	**3.84%**

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	2018	ITD
Monaco Alpha*	4.84%	2.92%	4.50%	0.31%	-1.07%	-3.13%	4.64%	1.06%	7.78%	-3.44%	-1.98%	-1.77%	**14.86%**	**19.6%**
E Stoxx 600 perf	1.61%	-4.00%	-2.31%	3.90%	-0.59%	-0.82%	3.07%	-2.39%	0.24%	-5.63%	-1.14%	-5.55%	**-13.24%**	**-13.0%**
Net position										38.74%	6.14%	73.40%		
Spread	3.23%	6.92%	6.81%	-3.59%	-0.48%	-2.31%	1.57%	3.45%	7.54%	2.19%	-0.84%	3.78%	**28.10%**	**32.6%**

	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	2019	ITD
Monaco Alpha*	1.51%	-0.49%	8.10%	-1.79%	4.21%	-4.16%	-0.26%	-0.52%	3.84%	0.99%	0.47%	0.31%	**12.41%**	**34.4%**
E Stoxx 600 perf	6.23%	3.94%	1.69%	3.23%	-5.70%	4.28%	0.23%	-1.98%	0.46%	0.90%	2.69%	2.06%	**23.16%**	**7.1%**
Net position	4.91%	-9.33%	5.24%	25.77%	-5.85%	-11.34%	-7.15%	-10.90%	4.50%	34.71%	2.32%	0.85%	**2.81%**	
Spread	-4.72%	-4.43%	6.41%	-5.02%	9.91%	-8.44%	-0.49%	1.46%	3.38%	0.09%	-2.22%	-1.75%	**-10.75%**	**27.3%**

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020	ITD
Monaco Alpha*	1.29%	0.36%	0.00%	-0.48%	-1.04%	0.21%	-1.30%	-1.62%	0.94%	-2.33%	11.39%	5.43%	**19.80%**	**61.0%**
E Stoxx 600 perf	-1.23%	-8.54%	-14.80%	6.24%	3.04%	2.85%	-1.11%	2.86%	-1.47%	-5.19%	13.49%	2.48%	**-4.04%**	**2.8%**
Net position	-13.27%	-5.36%	0.00%	-4.02%	4.81%	30.03%	30.64%	-10.20%	30.88%	65.14%	67.73%	71.90%	**22.38%**	
Spread	2.52%	8.90%	14.80%	-6.72%	-4.08%	-2.64%	-0.19%	-4.48%	2.41%	2.86%	-2.10%	2.95%	**23.84%**	**58.22%**

*March 2020 performance was 0% as the team was on Gardening leave

INVESTMENT PHILOSOPHY

A FOCUSED PORTFOLIO TO DELIVER BETTER RETURNS

- Fundamental and relative value with catalysts.
- Monaco Alpha believe that the best way to compound capital over time is to consistently take advantage of asymmetry when it appears and avoid large losses (1% stop loss of the overall portfolio on each position). Asymmetry is greatest when valuations are extreme and/or volatility is low.
- All trades should be repeatable and underpinned by a catalyst, valuation and fundamental analysis with the help of bespoke research and management contacts.
- If the portfolio is down 5% on a rolling quarterly basis, Monaco Alpha shrink it by approximately half and close the entire portfolio if it is down more than 10%.
- Monaco Alpha believe in a concentrated portfolio with 20 to 40 positions, having a maximum 15% exposure limit to one company. The portfolio exposure limits are between: -35% (net short) and +85% (net long) with a maximum leverage of 150%.

Factor allocation dictates what type of risk assets to favor:

-Falling inflation and low rates favors growth stocks

-Rising inflation and rising rates favors value and commodities

-Rising inflation and falling yields favors gold

-Finally, falling rates and inflation favors high quality stocks and bonds.

INVESTMENT PROCESS

CATALYST - IDEA GENERATION - ANALYSIS - INVESTMENT

Valuation Analysis

- Monaco Alpha uses consensus forecasts, relative analysis, DCF (Discounted Free Cash Flow), relative margins, growth prospects, SOTP (Sum Of The Parts), P/E (Price/Earnings) and book value vs ROCE (Return On Capital Employed).
- Monaco Alpha maintain live valuation models which are reassessed valuations on a regular basis.

Catalysts

- Thematic trends / disruption.
- Earnings turnarounds, management changes, divestments, break-ups, large share price moves, relevant news and / or consolidations.

Risk Perception Drives Quantitative vs Qualitative Strategy Implementation

- Risk-on environment: Compelling valuation and macro-environment.
- Risk-off environment: Net short position bias.

Macro Overlay

- Short and long term interest rates, GDP growth rate, inflation and employment.
- Seek short and long term returns through low volatility and capital PRESERVATION.
- Monaco Alpha apply a flexible macro overlay strategy to hedge or fine-tune its portfolio’s market exposures and take advantage of thematic plays.
- The strategy uses the most liquid financial futures across asset classes (equities, commodities, rates, currencies) in order to manage overall market exposure, specific sector exposure, macro events or to exploit certain macro trends.

PORTFOLIO CONSTRUCTION

CATALYST - IDEA GENERATION - ANALYSIS - INVESTMENT

Portfolio Construction

Number of Positions.

- 20 to 40 core positions.

Trades Classified by Type

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- Relative fundamental value with a catalyst or hedging trades.

New Trade Selection

- All trades with the exception of those for hedging purposes follow Monaco Alpha’s investment process, catalysts, fundamental valuations and analysis. If the idea does not meet our criteria we will wait for further catalysts.
- Market noise: Technical selling/buying on the back of redemptions/subscriptions or algorithms.

Exit

- Exiting/reducing positions take place when the valuation gap is no longer excessive or when the hedge is no longer needed.

Position Sizing

- Trade initiation: sizing relative to volatility and liquidity: usually between 1 and 5% of the portfolio.

RISK MANAGEMENT

CATALYST - IDEA GENERATION - ANALYSIS - INVESTMENT

- The portfolio exposure limits are between: -35% (net short) and +85% (net long) with a maximum leverage of 150%.
- Monaco Alpha aims to have 20-40 positions.
- 1% stop loss of the overall portfolio on anyone position.
- Maximum 15% of capital limit in any one position.
- Shrink portfolio by 50% if down 5% on a rolling quarterly basis and close it if down 10%. We start each quarter with a clean slate.

TRADE EXAMPLES

Meyer Berger Technology AGSBM Offshore N.V

The company supplies systems and production equipment to the photovoltaic, semiconductor and optoelectronic industries. The company produces equipment for solar production from wafers to building integrated solar systems.

Meyer Berger is a perfect fit within our renewable investment theme. We have made the case for a while now that solar power has the most potential among renewable energy sources.

Utility-scale solar plants are also now cost competitive with gas-fired power in many parts of the U.S - even without the benefit of subsidies. A fundamental shift in electric-grid economics means the phenomenal adoption rate of distributed solar is increasingly becoming an existential threat to current utility-business models.

Utility-scale solar costs have plunged nearly 80% since 2009, from $323 per megawatt hour (MWh) to $72 per MWh. In areas of strong sunshine, unsubsidized renewables costs are on par with new gas-fired plants, which are generally expected to deliver power in the range of $61 to $87 per MWh, according to Lazard research.
Improving battery technology means that solar power will increasingly be able to provide power at all hours.

Sector had a shake out with the market in March and was again under pressure in early May when a client cancelled an order; this forced the company to announce a rights issue on June 19 to strengthen their balance sheet to allow Meyer Berger to transform themselves from a solar cell supplier to a manufacturer of solar panel. New shares started trading on the 29 of July and we initiated a position on August 4th at CHF 0.15 per share.

Based on our DCF, the stock is worth around CHF 1.5/share or 10x more than the initial price. Management is expecting revenues to grow to CHF 2bn by 2025 (CAGR of more than 100%) with EBITDA margins above 30%. In other words, Meyer Berger should have more than CHF 600m of EBITDA in 2025. The company has no debt and peers' trades on 13x EBITDA.

To get to our TP, we have used an EBITDA multiple of 10 and discount rate of 13% (WACC +3%). Meyer Berger future photovoltaic panel are 30% more efficient than anything that is in the market today. This will have a circa 25% positive effect on margins.

The company has been building a solar panel manufacturing facility in Germany that should be operational in the 2Q of 2021. This should be the next catalyst for further re-rating.

At the time of writing the stock trades circa CHF 0.30/share, in other words we already have doubled our investment.

TRADE EXAMPLES

Cairn Energy – Closed position +56% as the company won the India tax ruling

Trade Idea

*The group did a reorganization ahead of an IPO back in 2006 which the India government 8 years later deemed taxable and confiscated assets which we later sold
*Guidance for outcome of the USD 1.4bn arbitration case is still end of summer 2020
*Covid should not have delayed much as independent arbitrators are used to working remotely and based in 3 different countries
*Both parties have looked at losses suffered and not far apart in estimates
*Outcome of arbitration cannot be appealed although process can be
*Very few countries in the world do not respect the outcome at bilateral international courts – India said will adhere
*Case boils down to a reorganization the group did as part of an IPO in India in 2006 – they had to transfer some assets but none of them changed group ownership – 8 years later the government froze the remaining stake CNE held in the IPO worth USD 1bn
*A positive ruling in the arbitration could more than double the company's current USD 1.1bn market cap
*Vodafone tax case in India very different, involved an actual transaction, but Vodafone remains invested in India and did not face any financial penalty
*CNE remains confident about its position in the case

Future of company leaves upside as well

*Large financial flexibility of the group allows for large upside potential
*Want to broaden the production base and also focused on ESG commitments - Now in a position where they can acquire more licences or even look at acquiring other players
*Shareholder return of Senegal sale completion expected by year end pending regulatory approval – worth approx. 32p but will likely be done as a share consolidation
*Also has addition upside potential in Senegal sale – can get an additional 13p per share in contingent payments by 2023
*Current OPEX cost per barrel is around USD 18

Valuation

Our SOTP valuation shows CNE trading at a:
13% discount to NAV without including India (pt 165p)
60% discount to NAV with a full repayment of its claim against India (pt 350p)
45% discount to NAV with a half of its claim against India being repaid (pt 250p)

THE INVESTMENT TEAM

Dan Luger MBE - Portfolio Manager

Prior to working in finance, Dan played professional rugby for 13 years, winning numerous national and international titles: 1998-2003 England International Career: 38 caps and 27 tries. Two World Cups, 1999 (¼ finalist), 2003 (World Champion). Grand Slam winner in 2003, Six Nations winner in 2000 and 2001. Runner-up in the 2005 World 7s Rugby series: Winning the Hong Kong, Dubai, LA and London tournaments.

A British Lion in the 2001 tour to Australia. Top 14 French Championship runner-up for Perpignan in 2004. Champion ProD2 for Toulon in 2008. Dan is a shareholder/investor in the successful restaurant group Ambiente in the Czech Republic since 2006. The group owns 21 restaurants and cafés ambi.cz/en/.

He created the Monaco Alpha Research Portfolio in 2014 to make himself accountable for his trading ideas in the broker community. Dan has achieved 7 years of positive gains: +14.7% in 2014, +8.8% in 2015, +12.8% in 2016, +16.2% in 2017, 14.86% in 2018, 12.42% in 2019 and 19.8% in 2020 .

Dan studied economics at Manchester University.

Didier Bodart - Portfolio Manager

Prior to moving to launching Monaco Alpha within Tavira in October 2017 with Dan Luger, Didier, worked for Tavira. Monaco Alpha achieved +61% through 2020.

Didier spent over 28 years working in finance: Tavira/ Monaco Alpha(4 years), Aurel-BGC and Kepler in Paris (6 years), CSFB in London (3 years), Bear Sterns, Schroders, Merrill Lynch/Smith New Court (9 years in NYC) researching and selling European equities.

Prior to moving to the sales side, Didier was an analyst/portfolio manager for Whitehorse Securities (a family office) and ABN for 5 years in NYC. Between 2012 and 2016, Didier created a bridal company in Paris.

Managed the Marshall Wace TOPS (French) portfolio for Kepler with 12% and 10% return in 2006 and 2007: top 3 in both years.

Didier managed a $30 million portfolio for Whitehorse Securities: Achieved a 34%, 51% and 6% return in 1991, 1992 and 1993 respectively.

Didier has a Master in Science of Finance from Bentley University (1987), Waltham, Massachusetts.

Nick - Portfolio Manager

Nick joined forces with Dan and Didier in November 2020.

Nick has an extensive background within finance where he most recently has been running Phi Capital which specializes in macro protection hedges using European and US derivatives.

Prior to this Nick was 14 years with Credit Suisse first as a trader and later as head of Futures trading at the Equity Delta One trading desk. Nick has BSc in Economics from London School of Economics

Keith Temperton - Portfolio Manager

Keith started his market life on the floor at the London Stock Exchange in 1984 with jobbing outfit Bisgood Bishop. He quickly moved on to Trade the Tech Book at Shearsol Lehman in NY. Swiss Bank Corporation followed where he traded Global Convertible Bonds and Equities, after which he joined Credit Suisse and headed up the Domestic UK Converts Trading desk. From the mid 90's he switched to the Broker Dealer market, setting up Convertible Bond desks for Cantor, Tradition and GFI in London and Hong Kong. The end of the 90's he took up the running of Leven in Paris for 3 years where the desk specialised in French equities, achieving a 6% market share. In 2002 Keith joined Carax, where he became a Partner in Monaco. After a 7 year stint with Carax he moved to Tavira and recently joined-up with the team at Forte.

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